

ELECTRONIC COPY, NO HARD COPY TO FOLLOW

June 8, 2004

C3823 (2410)

Memorandum

To: Regional Concession Chiefs

From: Acting Concession Program Manager /s/ Tony Sisto

Subject: Convenience Store Markup Percentages & Competitive Market
Declaration for Retail Merchandising for 2004 Operating Season

The National Park Service (NPS) has a legal and fiduciary responsibility to monitor and approve prices charged by concessioners to ensure that the cost to the visitor is not excessive and is comparable to rates charged outside of parks. In the past, this oversight has been accomplished in retail through the application of the Markup method for calculating prices, per NPS-48. Two groups of retail items were identified: *convenience items* and *merchandise items*. Prices for these two groups have been calculated based on markups obtained from two different sources.

For *convenience items*, markup percentages have historically been obtained from the Annual Convenience Store News Industry Report. Because the business season is already beginning for most concessioners, Convenience Store News Markups (April 2003) distributed last year should be used again for the 2004 season. These markups are attached for your reference.

Until 1998, *merchandise items* were priced according to gross margins published by the National Retail Federation (NRF). As you know, NRF discontinued publishing this data. Last year, we requested assistance from our business advisor to locate a source similar to the NRF that could be used for determining retail markup. However, a current source for this information is no longer available. Therefore, the use of the Markup method to determine retail prices must be reevaluated for *merchandise items*, and another method must be explored.

Of the other methods approved per NPS-48, the most suitable option for *merchandise items* is Competitive Market Declaration (CMD). As you know, we pilot-tested the CMD method for *merchandise items* during the 2000 season, and the CMD method for *merchandise items* has been encouraged for use in the 2001-2003 seasons. CMD should continue to be used for *merchandise items* for the 2004 season. Many of you have also

been using CMD for other services for many years and are authorized to continue to do so under the approved rate methodology outlines in NPS-48.

As you may know, we are currently in the process of reviewing and updating the Concession Review Program, which includes the Rate Approval Program. Our business advisors and the SERA task group will be reviewing the existing rate approval processes and methods, including CMD and markup methodologies. Our goal is to ensure our methods are the most appropriate and efficient and embrace industry best practices for rate approval. We encourage you to share any comments or concerns about the existing Rate Approval Program for consideration during this review and update.

In summary, the markup method will remain in effect for the 2004 season for *convenience items* using the attached markups from last year. For *merchandise items*, parks are encouraged to continue to use the CMD method as outlined in the September 2002 Rate Approval Guide for *merchandise items*.

Should you have any questions, please do not hesitate to contact Wendy M. Berhman at wendy_berhman@nps.gov or 303/987-6913.

Attachment

cc: 2411-Berhman

Convenience Store News Percent Markup April 03 (To be used for 2004 Season)

Merchandise	Average Gross Margin % 2001	Percent (%) Markup
Ice	59.94	150
Candy	43.26	76
Health and beauty care	40.43	68
Automobile products	38.03	61
Packaged ice cream/novelties	37.83	61
Non-edible groceries	37.82	61
Frozen foods	37.40	60
Alternative snacks	37.31	60
Edible Grocery	37.00	59
Packaged sweet snacks	36.66	58
Perishable Grocery	36.60	58
Salty snacks	35.83	56
General Merchandise	34.37	52
Packaged Beverages (non-alcohol)	34.10	52
Other Dairy	32.06	47
Other Tobacco	28.79	40
Packaged Bread	28.73	40
Wine	26.53	36
Liquor	26.00	35
Publications	25.53	34
Fluid Milk Products	24.42	32
Beer	21.08	27
Cigarettes	19.48	24
Hot Dispensed Beverages	60.36	152
Frozen Dispensed Beverages	59.22	145
Cold Dispensed Beverages	58.40	140
Foodservice (prepared on site)	41.43	71
All other food service	35.67	55
Packaged sandwiches	35.06	54